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Economic Report for the First Four Months of 1990

Unlike the situtation two years ago, the Soviets now release only fragmentary information on a month-by-month basis. The last full report appeared in our last newsletter and focused on the first quarter of the year. The Soviets have now released some additional information about April, and for the most part, the trend seems to be the same -- down.

There are some signs of hope. The production of consumer goods has increased, as have consumer good imports. For example, according to official reports, the delivery of imported consumer goods rose by 50%, from the corresponding period of 1989. The delivery of all consumer goods rose 10%, although the Soviets do not make clear if that is by volume or by value. The reason that is significant is that inflation continues to grow. For example, prices on the collective farm markets (the kolkhoz markets) rose overall by 13%. However, meat prices rose 19%, and fruit prices by 21%, and early potatoes doubled in price.

Especially disturbing is the fact that the Soviets report that national income was down by 1.7%, slightly more than was the case for the first three months of 1990. In the meantime, of course, money incomes continue to rise. For the first four months they rose 13.4%. Given the fact that that far exceeds production of goods, this adds to the inflationary pressure. Similarly, housing construction is down by 3%. Overall, in other words, the downward trend continues and the hopeful signs at this point do not seem to be potent enough to reverse the trend.

One index of these difficulties is the value of the ruble in relation to foreign currencies. In addition to the official tourist rate, which is included elsewhere in this newsletter, the Soviets now also conduct periodic auctions. These auctions are designed solely for Russian buyers and sellers of foreign currency. The markets are not very extensive, but they do provide some measure of the credibility the Soviets themselves attribute to the ruble. There are now a whole host of exchange rates. The official Gosbank exchange rate as of May 9 was set at one dollar for 67 kopecks. The tourist rate, or special rate as the Soviets call it, was set at one dollar for six rubles and 70 kopecks. On the auction market, however, the rate set on May 10, 1990 was 27 rubles to the dollar. That means that each ruble is worth 3.7 cents. That is a fall in the rate of the ruble from the preceding auction on April 5, when the rate was 21 rubles to the dollar, or 4.35 cents to the ruble, and that in turn represents a fall from February 21, when the rate was 29 rubles to the dollar, or 4.76 cents. What this shows of course is that the ruble continues to fall in value, having lost almost 30% of its value from February to May.

For those who are interested in learning more about the Soviet market, Business Week

has prepared a videocassette entitled "How to Enter the Soviet Market." Interested readers should contact McGraw-Hill, How to Enter the Soviet Market, 1825 Old Ranch Road, Los Angeles, CA, 90049.

Zaslavskaia Discusses Perestroika and Public Opinion

"Perestroika is no less important a phenomenon in the Soviet Union than the Revolution of 1917," said the sociologist Tatiana Zaslavskaia in a talk at the Russian Research Center. Zaslavskaia delivered an address entitled "Perestroika and Public Opinion" on May 16.

Based on surveys conducted by the All-Union Center for the Study of Public Opinion throughout the USSR last autumn and this spring, 94% of those polled indicated that the Communist Party in one form or another was to blame for the present crisis in the Soviet Union. Yet despite the decline in support for the CPSU, the idea of a multi-party system struck many in the survey as too new and radical an idea to be implemented quickly. The loss in confidence in both the party and state is hindering the perestroika process, Zaslavskaia said.

Accordingly, more popular measures are needed, she noted, including the transformation of the Communist Party from the ruling party to a party of the Parliament tied in with the gradual introduction of a multi-party system. In addition, Zaslavskaia called for the formation of a "legal state" wherein legislative, executive, and judicial powers are separated. She also cited the need for the transformation of the USSR into a true confederation.

In terms of economics, her survey revealed that 50% of those polled favored private ownership; 25% were against the idea. Nearly one-third would not mind starting their own business, whereas 45% were against such a proposal. Nearly half of those surveyed felt unemployment was "inadmissible and impossible." Nearly two-thirds acknowledged a gap between the rich and poor.

The most common feature of the survey was the predominantly pessimistic view of the respondents toward the prospects for perestroika. The restoration of the loss of confidence in the political institutions, Zaslavskaia noted, is one of the chief tasks facing the current Soviet leadership.

David Kramer

FOREIGN EXCHANGE RATES
as of May 9, 1990
Quoted in rubles

	Official Rate	"Special" Rate
£100 Sterling	99.93	990.30
100 Aust. Sch.	5.14	51.40
100 D. Marks	36.17	361.70
100 D. Guilders	32.17	321.70
100 U.S. Dollars	60.07	600.70
100 Fr. Francs	10.76	107.60
1,000 Jap. ¥	3.81	38.10
10,000 It. Lire	4.93	49.30
100 Swiss Frs.	41.75	417.50
100 Nor. Kroner	9.30	93.00
1,000 Bel. Frs.	17.52	175.20
100 Sw. Kronor	9.93	99.30

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